



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: ~~New~~ Interconnection Agreement with Pacific Gas and Electric Co.

MEETING DATE: November 6, 1992

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION:

Approve the ~~new~~ Interconnection Agreement between Pacific Gas and Electric Company (PG&E), the Northern California Power Agency (NCPA), and the cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Roseville, Ukiah and Plumas-Sierra Rural Electric Cooperative and authorize the City Manager and City Clerk to execute the Agreement in the form requested by NCPA.

BACKGROUND INFORMATION:


NCPA & PG&E have arrived at negotiated settlement of a number of ongoing disputes and have, in the process of these negotiations, agreed to a series of amendments to the Interconnection Agreement between NCPA and PG&E.

Historical Summary:

In 1983, NCPA, PG&E and the cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Roseville, Ukiah and the Plumas-Sierra Rural Electric Cooperative executed an Interconnection Agreement (IA) that provided for, among other things, power supply from PG&E, replacement power during outages of NCPA resources, and transmission services to NCPA and its members. Since that time, NCPA and PG&E have had numerous disputes concerning interpretation of the IA as it relates to support for NCPA resources, transmission services and other power supply issues. In addition, NCPA and PG&E have had numerous disputes outside of the IA, mostly notably FERC Docket E-7777.

The latest in the series of disputes concerned billing for transmission services under the IA and involved an attempt by PG&E to significantly increase rates for these services. Actions were subsequently filed by both parties at the Federal Energy Regulatory Commission since efforts to reach a negotiated settlement were not successful. In January 1991, the parties again attempted to negotiate a settlement and this time met with success, not only with regard to the transmission disputes, but including a number of other issues as well. As a result, the parties have agreed to settle the billing dispute, make numerous revisions to the IA, including its Rate Appendix, and settle several other proceedings involving the parties.

APPROVED: _____


THOMAS A. PETERSON
City Manager



The New Interconnection Agreement:

The basic construction of the new IA is not considerably different than that of the old IA. However, significant detail has been added to certain sections of the IA where disputes and/or other interpretations had caused difficulties between the parties. The most notable change in the IA is to the billing provisions for transmission service. Under the old IA, NCPA and PG&E differed greatly in their interpretation of the applicable billing determinants associated with the provision of transmission service. The new billing will be based upon functionalized transmission rates and provides a straight-forward mechanism for NCPA and PG&E to administer transmission costs during the term of the IA. As part of this Settlement Agreement, PG&E has agreed to assume the responsibility to maintain and pay for transmission facilities adequate to serve the load of NCPA member customers for all normal load growth of those member customers. Where system upgrades are required to integrate NCPA resources into PG&E's transmission system, NCPA will assume the responsibility for the initial connection facilities.

Adoption of this new IA should not, however, preclude Lodi from an equitable settlement of its long standing disagreement with PG&E regarding purchase of surplus energy for a three-month period in 1982 (the "Healdsburg" case). This situation is one in which Western Area Power Administration (WAPA) acquired surplus Northwest energy from Bonneville Power Administration (BPA) and contracted to sell that surplus energy to the cities of Alameda, Healdsburg, Lodi, Lompoc, Ukiah and Santa Clara during the months of May through September 1982. PG&E claimed that WAPA could not sell surplus Northwest energy acquired from BPA to the cities in 1982. The United States District Court recently held that WAPA could sell such surplus Northwest energy to the cities. PG&E also claimed that the cities of Alameda, Lodi and Ukiah were contractually precluded from contracting with WAPA to purchase Northwest energy without PG&E's express consent (Lodi and the other two cities had not completed negotiation with PG&E to amend their respective power contracts as had the other cities). We feel that PG&E unnecessarily withheld consent for Lodi to obtain its contracted for portion of the WAPA Northwest surplus power. Therefore, we will have to pay a larger amount to PG&E at their undiscounted rate, while PG&E gets the benefit of the cheaper power that we had to give up.

Summary:

The Settlement Agreement and amendments to the IA represent a restructuring of the relationship between NCPA and PG&E in a manner that will lower cost, increase flexibility, remove uncertainty and minimize disputes. In order to become effective, the amendments must be approved by the members' governing boards and such approval is hereby recommended with the caveat that Lodi should have assurance by both NCPA and PG&E that an equitable conclusion will be made in the 1982 surplus power purchase case.

FUNDING: None Required



Henry J. Rite
Electric Utility Director

cc: Manager, Rates & Resources

RESOLUTION NO. 91-198

A RESOLUTION OF THE LODI CITY COUNCIL
RELATING TO AN INTERCONNECTION AGREEMENT
WITH PACIFIC GAS AND ELECTRIC COMPANY

BE IT HEREBY RESOLVED as follows:

The Interconnection Agreement between Pacific Gas and Electric Company and the Northern California Power Agency, and the Cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Roseville, Ukiah and Plumas-Sierra Rural Electric Cooperative is hereby approved and the Lodi City Manager and City Clerk are hereby authorized and directed to execute such agreement on behalf of this entity.

Dated: November 6, 1991

I hereby certify that Resolution No. 91-198 was passed and adopted by the Lodi City Council in a regular meeting held November 6, 1991 by the following vote:

Ayes: Council Members - Pinkerton, Sieglock, Snider and
Hinchman (Mayor)

Noes: Council Members - None

Absent: Council Members - None

Abstain: Council Members - Pennino

Alice M. Reimche
Alice M. Reimche
City Clerk

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[attest]

CITY OF ALAMEDA

By _____
Authorized Representative

[attest]

CITY OF BIGGS

By _____
Authorized Representative

[attest]

CITY OF GRIDLEY

By _____
Authorized Representative

[attest]

CITY OF HEALDSBURG

By _____
Authorized Representative

[.attest]

CITY OF LODI

By Thomas A. Peterson
Authorized Representative
Thomas A. Peterson,
City Manager
CITY OF LOMPOC

Alice M. Reimche
Alice M. Reimche
City Clerk

[attest]

By _____
Authorized Representative

[attest]

CITY OF PALO ALTO

By _____
Authorized Representative

[attest]

CITY OF ROSEVILLE

By _____
Authorized Representative

CITY COUNCIL

DAVID M. HINCHMAN, Mayor
JAMES W. PINKERTON, Jr.
Mayor Pro Tempore
PHILLIP A. PENNINO
JACK A. SIECLOCK
JOHN R. (Randy) SNIDER

CITY OF LODI

CITY HALL, 221 WEST PINE STREET
P.O. BOX 3006
LODI, CALIFORNIA 95241-1910
(209) 334-5634
FAX (209) 333-6795

THOMAS A. PETERSON
City Manager
ALICE M. REIMCHE
City Clerk
BOB McNATT
City Attorney

November 14, 1991

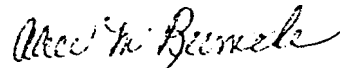
Northern California Power Agency
Attention: Gail Sipple
Executive Assistant
180 Cirby Way
Roseville, CA 95678

Dear Gail:

Enclosed herewith please find three executed signature pages and attached certified copies of Resolution No. 91-198 entitled, "A Resolution of the Lodi City Council Relating to an Interconnection Agreement with Pacific Gas and Electric Company" which was adopted by the Lodi City Council at its regular meeting of November 6, 1991.

Should you have any questions regarding this matter, please do not hesitate to call this office.

Very truly yours,



Alice M. Reimche
City Clerk

AMR/jmp

Enclosure